

Message Text

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67

ACTION AF-18

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 IGA-02 L-03 DRC-01 /138 W

----- 061518

R 171525Z MAY 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 4091

INFO AMCONSUL IBADAN

AMCONSUL KADUNA

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E.O. 11652: N/A

TAGS: EFIN, NI

SUBJ: FMG LOAN TO STATE-OWNED BANKS

BEGIN UNCLASSIFIED

1. FMG HAS BEGUN TO IMPLEMENT POLICY OF AID TO INDIGENOUS BANKS PROMISED BY FINANCE COMMISSIONER SHAGARI IN HIS APRIL 1 EXPLANATION OF THE 1974-5 BUDGET. AT THAT TIME SHAGARI PLEDGED SUBSTANTIAL FEDERAL LOAN ASSISTANCE, BOTH TO INDIGENOUS BANKS IN SERIOUS FINANCIAL DIFFICULTIES AS WELL AS TO THOSE DOING WELL.

2. ON MAY 9, MINFIN ANNOUNCED THAT FMG HAD MADE AVAILABLE TO SOME STATE GOVERNMENTS ABOUT NAIRA 50 MILLION FOR LENDING TO THEIR RESPECTIVE COMMERCIAL BANKS. BENEFICIARIES ARE WESTERN STATE'S NATIONAL BANK (NAIRA 30 MILLION), EASTERN STATES' (M-WEST RIVERS) AFRICAN CONTINENTAL BANK (NAIRA 10 MILLION) BRITISH-NIGERIAN OWNED BANK OF THE NORTH (NAIRA 5 MILLION), AND MID-WESTERN STATE'S NEW NIGERIA BANK (NAIRA 4 MILLION). THE ANNOUNCEMENT EXPLAINED THAT THE ASSISTANCE WAS BEING GIVEN TO THOSE BANKS WHICH HAD APPLIED FOR FINANCIAL AID TO EXPAND THEIR SERVICES. TERMS ARE FIVE PER CENT

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INTEREST WITH REPAYMENT HALF-YEARLY OVER TEN YEARS

FOLLOWING A THREE-YEAR GRACE PERIOD. END UNCLASSIFIED

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COMMENT: FMG ACTION IS KEEPING ITS DECLARED POLICY OF
EXPANDING ROLE OF INDIGENOUS BANKS. HOWEVER, MOST
INDIGENOUS BANKS PLAGUED BY POOR MANAGEMENT CONTROLS AND
QUESTIONABLE LENDING PRACTICES, AND THERE MAY WELL BE
SUPPORT ELEMENT INCLUDED IN THESE LOANS. WE UNDERSTAND
THAT NATIONAL BANK IN PARTICULAR MIGHT BE FACING
DIFFICULTIES WITHOUT THIS INFUSION OF FUNDS.
REINHARDT

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Disposition History: n/a
Disposition Reason:
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US Department of State
EO Systematic Review
30 JUN 2005

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Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005